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## 1987 BUDGET SUMMARY

Delivered by The Honourable The Minister of Finance, Encik Daim Zainuddin, to the Parliament on 24th October, 1986.

The summary is divided into the following sections :

1. INTRODUCTION
2. MALAYSIAN ECONOMY
3. OBJECTIVES
4. TO REDUCE THE ROLE OF THE PUBLIC SECTOR IN THE ECONOMY
5. TO PROMOTE THE GROWTH OF EXPORTS AND TO REDUCE IMPORTS
6. TO IMPROVE THE ENVIRONMENT FOR AN EXPANSION OF PRIVATE SECTOR INVESTMENT AND STIMULATE BUSINESS CONFIDENCE

The first section sets out an outlook of the international economy. The second section provides a review of the Malaysian economy. Section three outlines the objectives formulated by the Government while Sections four to six provide in detail the strategies adopted in achieving the objectives.

A comparative synopsis for the budget year 1984 through 1987 is provided as an appendix to the summary.

## 1. INTRODUCTION

1.1 In the recent year the crude oil prices and other commodity prices have fallen drastically. While this trend has adversely affected the economic performance of the less developed and developing countries, as the majority of these countries revenue are derived from the export of these products, the industrialised countries have benefited tremendously. The fall in oil and commodity prices is, in fact, expected to result in a transfer of income of more than \$70 billion from the developing country to the developed countries.

1.2 In spite of the favourable economic performance, these industrialised countries persisted to adopt a protectionist attitude by creating trade barriers in order to protect their less efficient industries and to prevent high unemployment from occurring should these industries be closed.

1.3 The two negative factors stated above; i.e the low commodity prices and trade barriers, have badly affected all the developing countries economic performance, and Malaysia is no exception.

## 2. MALAYSIAN ECONOMY

2.1 The objective set in the 1986 budget of strengthening the balance of payment has not been achieved. In fact the deficit is expected to increase to \$3,327 million in 1986, representing an increase of 80.3% from the deficit of \$1,795 million in 1985.

2.2 The major attributes for the higher deficit are :

2.2.1 The revenue derived from the export of all commodities, particularly petroleum and crude palm oil has fallen in monetary term even though the volume has remained constant, with certain commodities even increasing.

2.2.2 Exports of manufactured goods to the industrialised countries have declined because of the trade barriers. Certain goods are facing depressed external demands.

2.3 Although the import bill has fallen, the extent of the fall in export earnings is more drastic. This has led to the Gross Domestic Product in real term to decline by 1% in 1985.

2.4 The public sector financial position continues to deteriorate. The Federal Government overall deficit is threatening to increase from \$5.7 billion in 1985 to \$8.9

billion in 1986. On the whole, the public sector deficit is expected to increase from \$7.5 billion or 10.5% of the of Gross National Product in 1985 to \$125 billion or 19.0% of the GNP in 1986. The total external borrowings of the public sector is expected to amount to \$40 billion at the end of 1986, representing an increase of 66.7% over the borrowings of \$24 billion in 1985.

### 3. OBJECTIVES

- 3.1 The commodity prices prior to the 1987 budget speech have improved. However, the Honourable Minister of Finance hastened to caution that the past high level of prices will never be achieved for a long time.
- 3.2 Nevertheless, the minor fluctuation of commodity prices can still be taken advantage of to achieve a moderate growth rate in the short to medium term.
- 3.3 It is apparent therefore that the objectives of 1986 budget were not fully achieved. The objectives of (i) strengthening the balance of payments and (ii) to stimulate the private sector continued to be a part of the 1987 budget objectives. The third objective is to reduce the role of the public sector and to strengthen its financial position.
- 3.4 The Honourable Minister of Finance stated in his speech that revenue receipts from taxes are expected to fall sharply because of weak commodity prices and reduced incomes. Also there is limited scope to raise revenue through new taxes as this will have a dampening effect on business activity. The situation will lead to a tremendous reduction in government revenue - a situation which the government hopes to check through improved collection efforts. Also several measures are to be taken as part of the government's strategy to achieve the above objectives. Such strategies are aimed at encouraging the private sectors' involvement in stimulating the economy.
- 3.5 Specifically these strategies are translated into :
  - a) reducing the role of the public sector ;
  - b) promote the growth of exports and reduce imports, and
  - c) improve the environment for an expansion of private sector investment and stimulate business confidence.

4. TO REDUCE THE ROLE OF THE PUBLIC SECTOR IN  
THE ECONOMY AND STRENGTHEN ITS FINANCIAL POSITION

4.1 Taxation on life insurance

It is proposed to disallow as deduction for income tax purposes the commissions paid in obtaining premiums. This proposal will be effected gradually. Refer to Appendix 1 for details.

4.2 Deduction for income tax from salary

It is proposed that deductions be made compulsory for cases where the employees' tax liability exceed \$500 for any year of assessment. This proposal is effective from the Year of Assessment 1987.

4.3 Rental income exemption withdrawn

It is proposed to withdraw the exemption of rental income received by an employee compelled to vacate his residence due to a transfer. This will be effective from year of Assessment 1987.

4.4 Review of tax exemption

The list of authorities organisations and institutions whose income is exempted from income tax is proposed to be reviewed and exemption will only be granted to those bodies which merit exemption. Additionally, exemption will not cover dividend income and development tax. Appendix 2 provides the details of the proposal.

4.5 15% Sales Tax on cigarettes and liquor

It is proposed that the sales tax on cigarettes and liquor be increased from 10% to 15%.

4.6 Current Account

4.6.1 In order to reduce the Government's current account deficit of \$2,718 million in 1987 the following changes are proposed :-

i) The interest rates for government loans be increased from 4% to 6%. Public service employees under category D will not be subject to this increase.

ii) Eligibility for Government Housing Loan

Conditions on eligibility for government housing loans will be more stringent.

iii) Imposition and increase of fees

Presently services are provided for free or for a minimal fee. Fees for outpatient treatment (including medicine) and hospitalisation will be imposed or increased. Free medical treatment will continue to be provided to the lower income group.

iv) Modification of scholarship

The scholarship scheme will be modified by allocating 20% for scholarships and 80% as loans.

v) Pensions eligibility

New employees and others not yet emplaced in the pensionable scheme will not be eligible for pensions and will instead contribute to EPF.

These measures are designed to strengthen the financial position of the Government by reducing outflow of funds.

4.6.2 The Government is also taking steps to reduce the role of the public sector. The measures to be adopted are as follows :-

a) Privatisation

The Government will identify services and projects that can be privatised and publicly invite interested parties to participate.

b) Cost reduction programme

Agencies will be amalgamated to reduce duplication of functions and achieve greater work efficiency. Public sector employment will be reduced by various means such as earlier retirements, redeployment of excess staff and the abolition of posts. The number and size of diplomatic missions and other overseas offices be reviewed.

5. TO PROMOTE THE GROWTH OF EXPORTS AND TO REDUCE IMPORTS  
IN ORDER TO IMPROVE THE BALANCE OF PAYMENTS

5.1 Export of primary commodities

The marginal export duty on crude palm oil will be reduced from 50% to 30%. Export refinancing scheme will be extended to exports of rubber, crude palm oil and palm kernel oil. The period of refinancing will be extended from 90 to 180 days.

5.2 Export Incentives

In order to encourage greater private sector investment in manufacturing activities especially in export oriented industries the Promotion of Investments Act 1980 be amended. The amendments are set out in Appendix 3 .

5.3 Import duty exemption for indirect exporters

The Government will provide import duty exemption on imports for manufacturers who produce component parts or inputs used by direct exporters under the Export Credit Refinancing Scheme.

5.4 Services Account

An item that contributes to the deficit is the outflow on fees and expenses by our students overseas. In order to reduce the amount, the setting up of private colleges particularly those which can establish linkages with well known universities overseas will be encouraged.

The government is also implementing measures to improve domestic tourism to stem the outflow of funds. The measures have not been revealed on the Budget day.

The stemming of the outflow is expected to improve the country's balance of payments.

6. TO IMPROVE THE ENVIRONMENT FOR AN EXPANSION OF PRIVATE SECTOR INVESTMENT AND STIMULATE BUSINESS CONFIDENCE

6.1 Amendment of The Share (Land Based Company) Transfer Tax Act 1984

Reduction from 10% to 2%. Further details are shown in Appendix 5 .

6.2 Reduction in Real Property Gains Tax Rates

The tax rates have generally been halved. The reduction in tax rates are reflected in Appendix 6 .

6.3 Widening the Scope of Approved Loan

Exemption of interest on approved loans from the 20% withholding tax has been broadened by the inclusion of loans exceeding \$250 million. Details are shown in Appendix 7.

6.4 Tax Exemption on Compensation for Loss of Employment

The current tax exemption on compensation for loss of employment is limited to \$ 2,000 for each completed year

of service. It is proposed that exemption level be raised from \$ 2,000 to \$ 4,000 for each year of service. This proposal will take effect from the Year of Assessment 1987.

6.5 Double deduction for approved training

It is proposed that double deduction be allowed on operational expenses incurred on approved training. This is restricted to the manufacturing sector.

6.6 Industrial Coordination Act

To promote industrial growth, a manufacturing company needs to apply for a manufacturing licence only when its shareholders' funds exceed \$ 2.5 million or above or when it engages 75 or more fulltime employees instead of the existing ceiling of shareholders' funds of \$ 1 million and above or having 50 or more fulltime employees.

6.7 Employment Wages and Labour Laws

It is proposed that there should be a voluntary moratorium on wage increases for a period of 3 years for both the public and private sectors.

The Government is reviewing present labour laws to remove rigidities that inhibit cost-reduction measures, such as the revision of overtime rates and provisions for retrenchment benefits.

6.8 Monetary Policy

The reduction in the statutory and liquidity requirements already announced for the commercial banks resulted in a general reduction in the money-market interest rates. It is expected that this will lead to a lower cost for borrowing. To further improve liquidity the exemption from the 5% withholding tax on deposits in savings accounts is proposed to be raised from \$ 1,000/- to \$ 5,000/-.

Additionally merchants banks which satisfy certain criteria will be allowed to issue negotiable certificates of deposits.

A National Mortgage Corporation is to be established to issue bonds secured by mortgages, to increase financing available for housing.

The New Investment Fund, which provides loans for productive investment with export potential in the agricultural, manufacturing and tourism projects has been extended to include mining projects. The maximum cost of borrowing will be reduced to 10% per annum.

APPENDIX I

TAXATION OF LIFE INSURANCE COMPANIES

Effective from Year of Assessment 1987 :-

1. The disallowance on deductible item for income tax purposes on commissions paid on earned premiums be adjusted in the following manner:

Gross premiums receivable	Effective date when commission is not allowed as deduction
a) \$50 million or more	- From year of assessment 1988
b) \$10 million or more but less than \$50 million	- From year of assessment 1990
c) less than \$10 million	- From year of assessment 1992

Gross premiums receivable by the insurer during the basis period for year of assessment 1986 will be used as the basis to determine the above groupings.

2. General management and head office expenses will be allowed only if they are incurred wholly and exclusively for the production of assessable income.

APPENDIX 2

AMENDMENTS TO INCOME TAX EXEMPTION UNDER PARTS I AND II, SCHEDULE 6 OF THE INCOME TAX ACT, 1967

Amendments to Schedule 6 of the Income Tax Act :-

Part I

- i) Effective for Year of Assessment 1987 :-
  - a) Withdrawal on the concession in the form of exemption from Income Tax for income of bona fide friendly society.
  - b) Dividend income received by charitable organisations, trade unions and amateur sports organisations will not be exempted from income tax.
- ii) Effective from Year of Assessment 1988 :

The list of exempt institutions authorities, persons and funds as stipulated in Part II is to be deleted. In its place, the Government will place on gazette those authorities and institutions which merit tax exemption status except on dividend income and development Tax. All other institutions can apply for the same exemption status and will be considered on the merits of each case.



APPENDIX 3

AMENDMENTS TO THE PROMOTION OF  
INVESTMENTS ACT 1986

Effective from Year of Assessment 1987.

1. Export Incentive

Present : Based on value added

Proposed : a) Based on value of export

b) Abatement up to 50% on adjusted income depending upon the export performance of the company in relation to its totals sales;

2. Abolished - the 5 percent abatement of adjusted income for companies using local materials.

3. Trading companies exporting products of manufacturing companies to receive export allowance of 5% on FOB value.

4. The 5 percent abatement of adjusted income.

Presents : For small scale manufacturing complying to NEP.

Proposed : For all manufacturing companies which comply with the NEP on or after 1.1.1986, (excluding those which comply before 1.1.1986); and

5. The period of pioneer status be extended to 10 years for new companies on a selective basis.

APPENDIX 4

AMENDMENTS TO THE REAL PROPERTY GAINS  
TAX ACT (RPGT) 1976

Effective from October 24th, 1986 :

1. "An Islamic Bank" will include any person who carries on financing or banking business in accordance with the Syariah.

2. Senior Assistant and Assistant Directors of the Inland Revenue Department are empowered to sanction cases for prosecution.

AMENDMENTS TO SHARE (LAND BASED COMPANY)  
TRANSFER TAX ACT 1984

APPENDIX 5

Effective from October 24th, 1986 :-

1. The tax rate will be 2% of gross market value and not 10% as previously imposed.
2. Companies renting out not more than 10% of the built up area of their premises would not be considered as land-based companies.
3. Exemption of share transfer tax on :-
  - a) Companies undergoing group restructuring to improve efficiency without changing the ultimate ownership of the chargeable assets.
  - b) Transfers of chargeable assets between individuals/companies under any reorganization, reconstruction or amalgamation in compliance with NEP.
  - c) Transferor or transferee companies that restructure in line with NEP.
4. The date of disposal for disposals of assets exceeding \$5 million in value and approved by the Foreign Investment Committee (FIC) will be deemed to be the date of the FIC approval.

AMENDMENTS TO THE INCOME TAX ACT 1967

- 1) To impose withholding tax on
  - a) film rentals
  - b) interest and royalty paid to a non-resident by another non-resident, where such payments are allowed as expenses (section 15).
  - c) interest and royalty paid to a non-resident. (section 109(1)).
- 2) Tax relief on donations made to Government assisted institutions carrying out socio-economic research.
- 3) Section 107A - to delete the word "royalty".
- 4) Tax consultants applying for approval/renewal of approval as accountants under the Income Tax Act 1967 will be levied a fee.
- 5) "Plantation expenditure" to be replaced with "agricultural expenditure" - (para 6, Schedule 3).

APPENDIX 6

REDUCING THE RATES OF REAL  
 PROPERTY GAINS TAX

<u>Date of Disposal</u>	<u>C O M P A N Y</u>			<u>I N D I V I D U A L</u>		
	<u>Present Resident</u>	<u>Non-resident</u>	<u>TAX RATES</u>	<u>Present Resident</u>	<u>Non-resident</u>	<u>Effective</u>
			<u>Effective Oct. 24, 1986 Resident &amp; Non-resident</u>			<u>Effective Oct. 24, 1986 Residence &amp; Non-residence</u>
	%	%	%	%	%	%
First and second year after the date of acquisition	40	40	20	40	40	20
Third year	30	40	15	30	40	15
Fourth year	20	40	10	20	40	10
Fifth year	10	40	5	10	40	5
Sixth year	5	40	5	5	40	NIL
Seventh year onwards	5	40	5	NIL	40	NIL

APPENDIX 7

WIDENING THE SCOPE OF APPROVED LOAN

Effective from October 24th, 1986:-

Interest paid to non-residents on approved loans is exempted from the 20% withholding tax on the following conditions :-

- i) loans given to Federal Government, State Government and statutory bodies or loans guaranteed by the Government; or
- ii) loans exceeding \$<sup>250</sup>~~20~~ million; and
- iii) both (i) and (ii) have to be approved by the Minister of Finance.

AMENDMENTS TO THE SALES TAX ACT 1972  
AND THE SERVICE TAX ACT 1975

APPENDIX 8

Sales Tax Act 1972

- i) Section 7(3) - repealed so as to avoid any misuse by manufacturers resulting in loss of revenue to the Government.
- ii) Section 11  
To impose sales tax on current value for any breach in the condition of exemption or refund rather than on the sale value at the time the exemption or refund was granted.
- iii) Section 13(2)  
To delete the provision "any person engaged in business" in order to streamline this section with section 7(3) above.
- iv) Section 24(b)  
To limit the penalty that can be imposed on any licensee who fails to pay the sales tax within the prescribed period to a maximum of 50% of the sales tax due. Presently the penalty is unlimited thereby posing administrative and enforcement problems to the Customs Department.
- v) Section 30  
This section is to enable the Customs to confiscate and auction off goods in the event a licensee fails to pay sales tax. The existing provisions permits the Customs to confiscate goods only and this is not in the interest of any party, be it the licensee or the Customs Department.

1987 BUDGET  
SYNOPSIS AND COMPARISON

PARTICULARS	1984	1985	1986	BUDGET 1987
1. Rebate for local usage of tin	\$700/- per tonne	No Change	No Change	No Change
2. <u>CAPITAL ALLOWANCES</u>				
a. Industrial building allowances.	Extended to building approved for industrial training, licensed godowns and stores for export.	No Change	Abolished for manufacturing sector.	No Change
b. Construction of public road by private sector	NIL	NIL	Construction costs of public roads under privatisation programme to be treated as qualifying building expenditure.  Initial allowance - 10%  Annual allowance - 6%	No Change
c. Accelerated depreciation allowance	For Heavy construction equipment withdrawn	No Change	Extended to 1988. (Heavy construction equipment does not qualify for this allowance).  Initial allowance - 20%  Annual allowance - 40%	No Change

3. <u>IMPORT DUTY AND SURTAX</u>				
a. Rationalisation of import duty and surtax	1,300 items consolidated Ad Valorem rate instead of specified rate.	No Change	No Change	No Change
b. Rates				
i) Completely built up motor vehicle				
Less than \$20,000	105%	140%	}	}
Next \$ 5,000	125%	160%		
Next \$ 5,000	150%	185%		
Next \$ 5,000	175%	210%		
Next \$ 5,000	215%	250%		
Balance	265%	300%		
ii) Completely knock down motor vehicle	30%	40%		
iii) Food and Garments easily substituted	5-50%	No Change	No Change	No Change
iv) Video tapes and pocket size calculators	NIL	NIL		
v) Video cassette recorders	15%	No Change		
vi) Jade, gold, cultured pearls, diamonds and other precious stones for manufacture of jewellery.	NIL	NIL		

vii) Raw materials and components.	3-45%	No Change	Certain items qualified for 2%	List of items qualified for 2% are further reduced.
viii) Self-monitoring equipment	Import duty - 3% Sales tax - 10%	No Change	No Change	Abolished
ix) Self-administrating equipment	Income duty - 5% Sales tax - 10%	No Change	No Change	Abolished
<b>EXPORT DUTY</b>				
a. Threshold price for:				
i) Palm oil			\$ 49.21/tonne	\$50/tonne
ii) Rubber	180 sen/kilo	No Change	No Change	
iii) Black pepper	\$3,000/tonne	No Change	\$ 4,000/-	No Change
iv) White pepper	\$3,500/tonne	No Change	\$ 4,500/-	
b. Rates				
i) Palm oil				10% - 30% max
ii) Rubber	Based on 2 grade RSS 3 and MR 20	No Change	No Change	No Change
iii) Black pepper			5% - 30% max	No Change
iv) White pepper			5% - 30% max	No Change
c. Live cattle			5%	Abolished
<b>5. INVESTMENT INCENTIVES.</b>				
a. Rubber based industry	NIL	Special electricity tariff and rubber purchases at discounted prices.	Increased by 15%.	No Change
b. Manufacturing sector				
i) Pioneer status	Maximum - 7 years	No Change	5 years	10 years for specific industries.
ii) Investment tax credit	25%	25%	Maximum - 100%	

iii) Abatement of adjusted income			i) 10% of value added in exports. ii) 5% for location. iii) 5% of value of local materials used in export. iv) 5% of value of approved indigenous local materials used in	No Change No Change No Change Abolished
<b>c. Agricultural Industry</b>				
i) Pioneer status ii) Investment tax credit	NIL	NIL	5 years a) 100% for qualifying capital expenditure during the first 5 years of operations. b) Dividend income tax After the first years, 60% for plant and machinery.	No Change
iii) Agricultural development allowance	NIL	NIL		
<b>d. Tourist Industry</b>				
(include hotels, hostels, chalets, and rest houses)				
i) Pioneer status	Restricted to hotels	No Change	5 years	No Change
ii) Investment tax credit	Restricted to hotels	No Change	a) Maximum - 100% for the period of 5 years. b) Dividend income tax exempted.	
iii) Industrial building allowance	Restructed to hotels	No Change	Restriction removed.	
iv) Abatement of adjusted income	NIL	NIL	10% - tour operator who brings in at least 500 tourists through group inclusive tours.	



<p>e. Export oriented industry</p> <p>i) Export incentives                  ii) Abatement of adjusted income</p> <p>f. Trading Company</p> <p>i) Export allowance</p> <p>6 a. <u>SALES TAX</u></p> <p>b. <u>SERVICE TAX</u></p>	<p>i) Building material not generally used for low cost housing.</p> <p>ii) Exemption for ready made jewellery.</p> <p>10%</p>	<p>No Change</p> <p>No Change</p> <p>No Change</p>	<p>Based on value added</p> <p>No Change</p> <p>No Change</p> <p>5%</p>	<p>Based on value of export</p> <p>50% on export performance</p> <p>5% on FOB value.</p> <p>No Change except for cigarettes and liquor - 15%.</p> <p>No Change</p> <p>No Change</p>
<p>7 <u>PERSONAL INCOME TAX</u></p> <p>a) Tax rates</p> <p>b) Pension of wife on optional retirement</p> <p>c) Exemption from income tax</p>	<p>Tax rates range from 6% to 55%</p> <p>Assessed with husband</p> <p>i) Income derived from shipping operations enterprises, dividends of shipping enterprises.</p> <p>ii) Income of seaman on coastal vessels.</p> <p>iii) Interest from government securities.</p>	<p>Tax rates range from 5% to 40%</p> <p>No Change</p> <p>i) Restricted to residents operating Malaysian Ship</p> <p>No Change</p> <p>No Change</p>	<p>No Change</p> <p>Can opt for separate assessment.</p> <p>No Change</p> <p>No Change</p> <p>Extended to unit trusts for government securities and dividends received by holders of such unit trusts.</p>	<p>No Change</p> <p>No Change</p>

<p>d. Rental Income received from vacation of residence due to transfer</p> <p>e. Exemption on Compensation for loss of employment</p>	<p>iv) All pension</p> <p>Exempted</p> <p>Limited to \$2,000</p>	<p>Restricted to highest pension only.</p> <p>Exempted</p> <p>No Change</p>	<p>Extended to include the following:-</p> <p>i) Pension to politician who has reached the age of 55.</p> <p>ii) Pension received on the grounds of ill-health.</p> <p>Exempted</p> <p>No Change</p>	<p>Revision - second and subsequent pension 100% tax</p> <p>Withdrawn (effective from Year of Assessment 1987)</p> <p>Limited to \$4,000 (Effective from Year of Assessment 1987)</p>
<p>8. <u>COLLECTION OF INCOME TAX</u></p> <p>a) Deduction of tax from salary</p>	<p>As directed by DGIR</p>	<p>As directed by DGIR</p>	<p>As directed by DGIR</p>	<p>Compulsory for tax liability in excess of \$500/- or chargeable income greater than \$6,459/- or monthly salary of \$955/- (after personal relief)</p>
<p>9. <u>ROYALTY EXEMPTION LIMIT</u></p> <p>a) Literary and artistic work</p> <p>b) Translation work for Education Ministry and Attorney General's office</p>	<p>\$3,000</p> <p>NIL</p>	<p>\$6,000</p> <p>\$3,000</p>	<p>No Change</p> <p>No Change</p>	<p>No Change</p> <p>No Change</p>

10. Stamp duty rate on contract notes between local and foreign brokers	0.1%	No Change	No Change	No Change
11. Free air passage for tax payer and family for relocation of employment	Overseas - once a year Local - 3 times a year	No change but restricted to travel by MAS or tickets issued by MAS.	Restriction removed. No Change	No Change No Change
12. Exit levies on commercial vehicle	\$100/-	No Change	No Change	No Change
13. Increase in fees for passports and travel documents.	100% increase	No Change	No Change	No Change
14. Road tax on i) Diesel cars ii) Company cars	i) 5 times ii) 4 times	i) 4 times ii) 2 times	No Change No Change	No Change No Change
15. Motor vehicle i) Capital allowance ii) Rent paid on hire of motor vehicle	i) \$15,000 ii) all rents allowed	i) \$25,000 ii) \$25,000 only	No Change No Change	No Change No Change
16. Foreign Loans Interest payments on approved and long-term loan.	Exempted	Exempted	Exemption restricted to following loans :-	Exemption from 20% with holding tax :-

			i) Federal government. ii) State and statutory bodies. iii) Loans + credit guaranteed by the Government.	i) Federal Government, State Government and statutory bodies or loans guaranteed by the Government; or ii) Loans exceeding Ringgit 250 million, and iii) both (i) and (ii) have to be approved by the Minister of Finance. (Effective from 24th October, 1986)
17. Withholding tax on interest payments on Foreign Loans	15%	No Change	20%	No Change
18. i) Interest received by individuals on savings deposit exceeding a certain amount and fixed deposit of less than 12 months ii) Exemption limit for Bank & Finance	No withholding tax  \$1,000	No Change  \$1,000	5% withholding tax.  \$1,000	No Change  \$5,000 (effective from Year Assessment 1988)
19. Earnings from Abroad  i) Commission derived from Malaysia but paid outside the country in a period before year of assessment 1986			50% exempted.	No Change

ii) Income earned outside Malaysia and brought back to Malaysia between 25.8.1985 to 31.12.1986			Exclude banks, airlines, Shipping lines.  100% exempted.	No Change
0. <u>Supplementary Income Tax</u>  a) Timber profit tax  b) Tin profit tax  c) Excess Profit Tax  i) Concept of shareholders' funds  ii) Franking limit   iii) Rates	Imposed  Imposed   In existence  200,000   5%	No Change  No Change   No Change  No Change   No Change	i) Abolished  ii) Replaced by excess profit tax.    Withdrawn.  \$2,000,000 - Applicable to resident and non-resident companies.   3%	No Change
1. <u>Insurance</u>  Export credit insurance premiums	NIL	No Change	Double deduction allowed on premium payments.	No Change
2. <u>REAL PROPERTY GAINS TAX</u>  i) Real property gains tax exemption is granted for :	Land belonging to a deceased person in settlement of estate duties up to the extent of estate duties payable	No Change	No Change	No Change

<p>ii) The date of the acquisition of the property by a restructured company will be deemed to be the acquisition date of the property by the transferor company</p> <p>iii) Real property gains tax on companies.</p> <p>iv) Increase in exemption level of estate duty. The exemption level being :</p>	<p>Restructuring must be done in accordance with government policy</p> <p>Exempted from 7th year</p> <p>Resident \$600,000</p> <p>Non-resident \$120,000</p>	<p>No Change</p> <p>Disposal in and after the 7th year subject to 5% RPGT.</p> <p>\$2,000,000</p> <p>\$ 400,000</p>	<p>No Change</p> <p>No Change</p> <p>No Change</p> <p>No Change</p>	<p>No Change</p> <p>See Appendix 6, p.11</p> <p>No Change</p> <p>No Change</p>
<p>22. SHARES (LAND BASED COMPANY) TRANSFER TAX ACT 1984</p> <p>i) Rates</p>	<p>10%</p>	<p>10%</p>	<p>10%</p>	<p>2%</p>
<p>23. <u>DOUBLE DEDUCTION</u></p> <p>i) Approved training - allowable</p>	<p>Companies</p>	<p>No Change</p>	<p>No Change</p>	<p>Restricted to manufacturing sector only (effective from Year of Assessment 1988)</p>

